



# HORIZON 2020

## Audit Programme – Personnel Costs

# Topics

AMGA – IAP - specific cases (p3-4)

General Procedures (p5-8)

Time Recording (p9-14)

Other Procedures (p15-24)

# Not covered in this presentation

Specific cases such as:

- Teleworking
- Benefits in kind
- Recruitment costs
- Remuneration of students
- PhD, fellows Academic fees,
- Parental leave,
- Supplementary contracts
- Additional Remuneration.....

# Be aware of the following Resources

## Indicative Audit Programme

[https://ec.europa.eu/research/participants/data/ref/h2020/other/gm/audit/h2020-iap\\_en.pdf](https://ec.europa.eu/research/participants/data/ref/h2020/other/gm/audit/h2020-iap_en.pdf)

## Annotated Model Grant Agreement

[https://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/amga/h2020-amga\\_en.pdf](https://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf)

## Queries

[https://ec.europa.eu/info/research-and-innovation/contact/research-enquiry-service-and-participant-validation\\_en](https://ec.europa.eu/info/research-and-innovation/contact/research-enquiry-service-and-participant-validation_en)



# HORIZON 2020

## General Procedures

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## Information Request

- ✓ Breakdown per reporting period, with reference to financial years, for each category of personnel costs;
- ✓ Details for basic, additional salary components;
- ✓ Usual accounting & remuneration practices;
- ✓ Accounting records;
- ✓ Reports for certified statutory accounts

# General Procedures

## Information Request - Continued

- ✓ Time recording system documentation and examples;
- ✓ Example of Contracts;
- ✓ Schedule meetings with HR, Payroll, Accounting departments, Time recording;
- ✓ Schedule Interviews;
- ✓ Send sampling results -> To prepare pay slips, payroll, bank statements, contracts.

# General Procedures - Sampling

Is the value of the population below the planning materiality level (5% of total costs declared)?

No

Yes

- Select **all the items** with a value **higher or equal to 10%** of the costs declared for the costs subcategory
- and add **randomly** selected items until you reach
  - 1) either 50% coverage of the costs declared in the sub-category**OR**
  - 2) a maximum number of 15 items.

A minimum of 5 items must be selected unless the population is less than 5.

Test the item with the highest value of the the population.





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## Time Recording

# Time Recording – Computer Based

Obtain an understanding of the time recording procedures of the Beneficiary.

Review internal guidelines, review the system and interview personnel if necessary.

For fully computer-based time-recording system verify the 3 listed criteria (electronic signatures + password and user names policy; process for managing user rights; log of all electronic transactions)

Report and raise recommendations if any of the 3 listed elements to be checked for computer-based time recording is not fulfilled.

Request and Analysis of Alternative Evidence for all declared persons

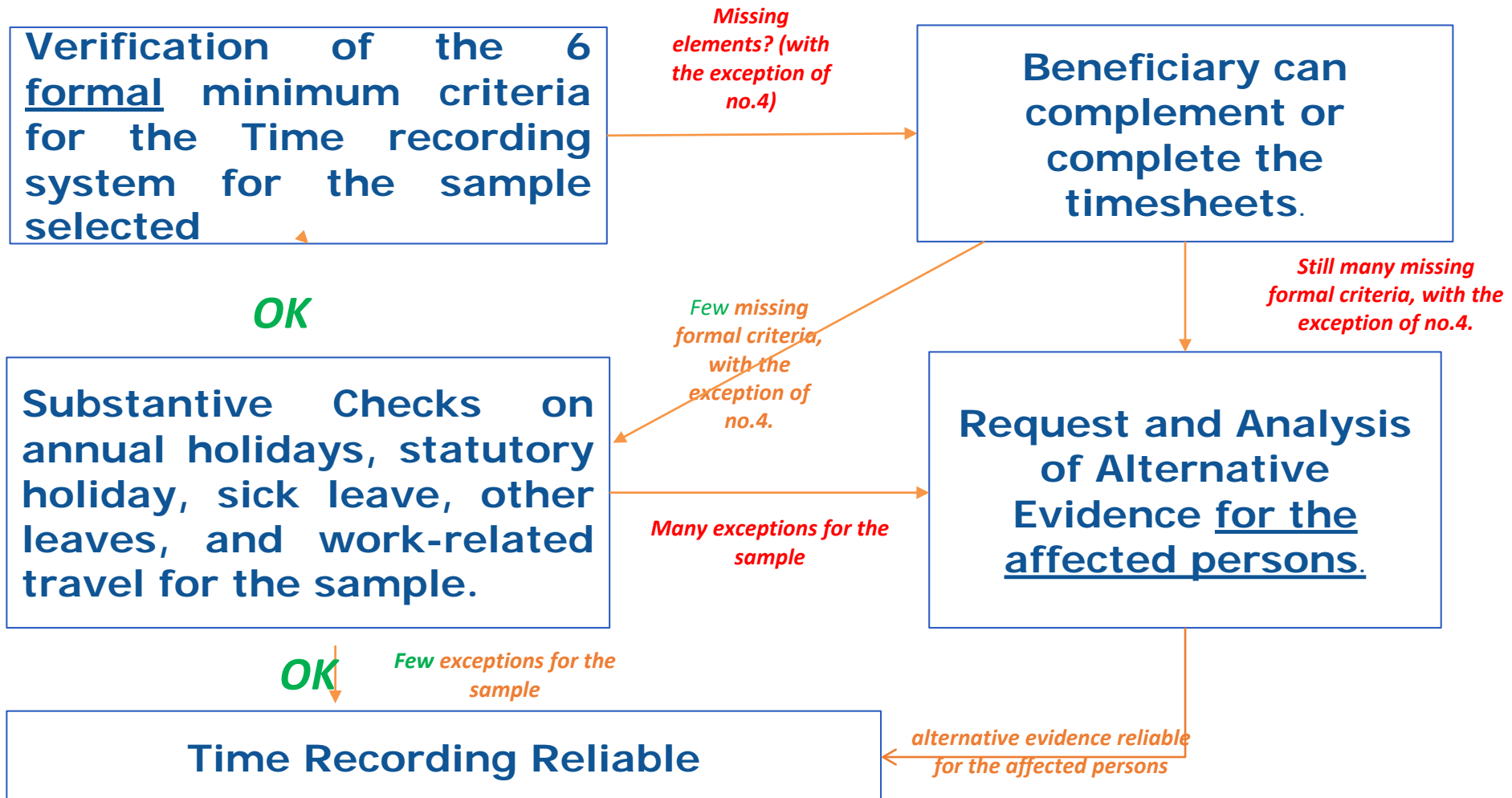
*If the issues identified are significant request the beneficiary to provide alternative evidence to support the relevant time declared.*

# Time Recording – Timesheets

## Minimum Requirements

1. title and number of the action, as specified in the GA;
2. beneficiary's full name, as specified in the GA;
3. full name, date and signature of the person working for the action;
4. number of hours worked for the action in the period covered by the time record, with at least month level granularity;
5. supervisor's full name and signature;
6. reference to the action tasks or work package described in Annex 1.

# Time Recording - Timesheets



# Time Recording – Alternative Evidence

## Acceptability Criteria

1. Clear identification of the person;
2. Clear link to the project under scrutiny;
3. Possibility to quantify time spent on project-related tasks.

# Time Recording – Exclusive Work

## Declaration of Exclusive Work

- ✓ Formal checks (i.e. signature, date, countersigned)
- ✓ Un-interrupted time-period (min 1 calendar month)
- ✓ Review CV and web - identify contradictions
- ✓ Cross check with the scientific reports
- ✓ Evidence for Double Ceiling



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## Other Procedures

# Other Procedures - Payments

- ✓ Review the beneficiary's usual payment timeframe;
- ✓ Ideally all sampled persons need to be tested;
- ✓ The number of months to be checked is left at the discretion of the auditor.

*Verify that all the persons selected for testing have been paid by tracing to supporting documents for a sample of months.*



# Other Procedures – Accounting Standards

- ✓ Not intended to re perform statutory audits or national controls for compliance with national provisions.
- ✓ Reliance on non-qualified statutory audit reports.

*Verify if ....the Beneficiary has the obligation to have its annual statutory accounts certified by an independent auditor.... If the auditor's report on the Beneficiary's statutory annual accounts is not qualified for the personnel costs the costs are deemed to comply with the applicable national law on taxes, labour and social security.*

# Other Procedures – Double Funding

- ✓ Five other actions to be tested, if no project accounting
- ✓ Selection of the five other actions is left at the discretion of the professional judgment of the auditor.

*Obtain information... whether the audited entity participates in other EU programmes, in particular Structural Funds, Social Fund, etc. and obtain a list of the other EU actions/projects running during the audited period. Obtain for 5 other actions/projects the list of persons declared under personnel costs.....*

# Other Procedures – Double Funding

- ✓ Only costs specifically earmarked for the audited action and funded by other EU sources or national funding for which EU funds are used, are to be rejected in full.
- ✓ The same cost item cannot be financed twice but synergies are allowed.

# Other Procedures – Hourly Rates

Need for consistent application of the options:

- ✓ for hourly rate calculation (annual / monthly) in all H2020 actions in same financial OR fiscal year
- ✓ Unit costs or Actual costs

Review the personnel cost components included in the hourly rate and verify that no indirect costs are included

Verify eligibility of calculation (actual gross remuneration – incl. holiday allowances, travel allowance and bonuses and related social charges and pension costs

# Other Procedures – Productive Hours

## Option 1 – 1720 fixed (no restriction)

- Does not need to be supported
- Pro-rata when not working full time or full year

## Option 2 – Individual annual productive hours

- The formula for the hourly rate is mandatory
- >> Absences and overtime must be supported

## Option 3 – Standard annual productive hours

- Minimum 90% of workable hours

# Other Procedures – Unit Costs

- ✓ Personnel costs on the basis of the usual accounting practices (Unit costs – procedure)
- ✓ (Double Ceiling for costs NOT applicable)
- ✓ Check conditions and application AND ensure that usual is usual
- ✓ If the budgeted or estimated figures represent less than 5% of the declared unit cost, it is considered that they do not play a major role and can be accepted.
- ✓ Exclude components of indirect nature

# Other Procedures – Productive Hours

**Consistent application** of the options for productive hours per staff category/ type in all H2020 actions in the same financial year

**Option 2** is not allowed for monthly hourly rates

**Option 3** – Verify application AND ensure that usual is usual by testing 5 other projects (not only EU). Selection left at the discretion of the professional judgment of the auditor.

# Other Procedures – Double Ceiling

Verify that, per employee:

- the total number of hours declared was not higher than the number of annual productive hours used for the calculation of the hourly rate
- the total amount of personnel costs claimed was not higher than the total personnel costs recorded in the Beneficiary's accounts (double ceiling).





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Thank You

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Innovation*



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## Audit Process

Back Up

# PERSONNEL COSTS – A.2 NATURAL PERSONS

## Natural persons under a direct contract

- Identify artificially increased hourly rates;
- Eg: Obtain information if the natural persons declared on the EU action have been working before for the Beneficiary based on a different type of contract;
- If identified apply project based / additional remuneration criteria.

## Natural persons under a direct contract

- The hourly rates may not be significantly different compared to similar employees. 

- > there are no OR no similar employees then this test is not applicable.

- > A difference of up to 50% can be accepted, if justified. 

# PERSONNEL COSTS – A.3 SECONDED

## Seconded by Third Parties against payment (Art 11)

- **Documentation of the temporary transfers:**
  - ✓ **Review secondment contracts, or other equivalent supporting documentation (decisions, engagements);**
  - ✓ **Verify that the seconded personnel work for the beneficiary;**
  - ✓ **Clause that persons are at the disposal of the beneficiary.**

# PERSONNEL COSTS – A.4/A.5 (...)

## SME Owners / Natural Persons not receiving a salary

- When Salary exclusively to the management of the SME
  - > apply SME unit costs.
- Changes of remuneration status.
- SME status NOT CHECKED.

# Hourly rate: CASE 1A (remuneration is not project-based)

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

## Annual productive hours

### Advice

1720 hours

- ⚠ you must use this option if the employment contract does not specify the working time conditions or if the "annual workable hours" cannot be determined

### Individual annual productive hours

- Formula: annual workable hours + overtime - absences

### Standard annual productive hours

- According to the beneficiary's usual accounting practices. Minimum threshold: annual productive hours  $\geq$  90 % of the standard annual workable hours

# Productive Hours calculation

- Individual annual productive hours (the total number of hours worked by the person in the year for the Beneficiary).

<b>Productive hours calculation</b> (example)	<b>Year 2016</b>
Total days in a year	365
Less: Weekends	104
Less: Annual Holidays	30
Less: Statutory Holidays	10,5
<b>Workable days per year (a)</b>	<b>220,5</b>
Plus: Overtime	-
Less: Illness	5
Less: Special leave	10
<b>Productive days per year (b)</b>	<b>205,5</b>
<b>Hours per day (c)</b>	<b>7,4</b>
<b>Workable hours per year= (a)*(c)</b>	<b>1 668,7</b>
<b>Productive hours per year= (b)*(c)</b>	<b>1 520,7</b>



# Productive Hours calculation II

Option 3: Standard annual productive hours (in accordance with the usual accounting practices of the Beneficiary): 1 636,4. This number is at least 90% of the 'standard annual workable hours'.

<b>Productive hours calculation</b>	<b>Year 2017</b>
Total days in a year	365
Less: Weekends	104
Less: Annual Holidays	29
Less: Statutory Holidays	8
<b>Workable days per year (a)</b>	<b>224</b>
<b>Hours per day (b)</b>	<b>8,00</b>
<b>Standard workable hours per year (a) x (b)</b>	<b>1 792,00</b>
<b>Standard productive hours per year</b>	<b>1 636,40</b>
<b>Test (90% of standard workable hours per year)</b>	<b>1 612,80</b>